



DEPARTMENT OF THE TREASURY

Agency Information Collection Activities; Submission for OMB Review; Comment

Request; Provisional Foreign Tax Credit Agreement

AGENCY: Departmental Offices, U.S. Department of the Treasury.

ACTION: Notice of information collection; request for comment.

SUMMARY: The Department of the Treasury will submit the following information collection request to the Office of Management and Budget (OMB) for review and clearance in accordance with the Paperwork Reduction Act of 1995, on or after the date of publication of this notice. The public is invited to submit comments on this request.

DATES: Comments should be received on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** to be assured of consideration.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to

www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting "Currently under 30-day Review - Open for Public Comments" or by using the search function.

FOR FURTHER INFORMATION CONTACT: Copies of the submissions may be obtained from Spencer W. Clark by e-mailing PRA@treasury.gov, calling (202) 927-5331, or viewing the entire information collection request at www.reginfo.gov.

SUPPLEMENTARY INFORMATION:

Internal Revenue Service (IRS)

Title: Provisional Foreign Tax Credit Agreement.

OMB Control Number: 1545-2296.

Type of Review: Revision of a currently approved collection.

Description: Sections 901 and 905 allow a taxpayer to claim a foreign tax credit for foreign income taxes paid or accrued in a taxable year, depending on taxpayer's method of accounting

for such taxes. However, regardless of the year in which the credit is allowed based on taxpayer's method of accounting, the foreign tax credit is allowed only to the extent the foreign income taxes are ultimately both owed and actually remitted to the foreign country. For accrual method taxpayers, section 461(f) (flush language), section 1.461-2(a)(2)(i), and section 1.905-1(d)(3) provide that a foreign income tax liability that is contested does not accrue and is not creditable until the contest is resolved. For cash method taxpayers, a foreign income tax liability that is contested is not a reasonable approximation of the taxpayer's final foreign income tax liability and, thus, under section 1.901-2(e)(2)(i), is not considered an amount of tax paid for purposes of section 901 until the contest is resolved.

However, sections 1.905-1(c)(3) and 1.905-1(d)(4) allow taxpayers to make an election to claim a provisional foreign tax credit for a contested foreign income tax liability to the extent that the taxpayer has remitted the contested tax to the foreign country. As a condition for making this election, the taxpayer must enter into a provisional foreign tax credit agreement, in which the taxpayer gives the IRS information regarding the contested foreign income tax liability and agrees to comply with the conditions of the election, including agreeing to not to assert the statute of limitations on assessment as a defense to assessment of taxes and interest by the IRS with respect to the contested tax for a period of three years from the year in which taxpayer notifies the IRS of the resolution of the contest. See section 1.905-1(d)(4)(ii). The IRS is adding a new Form 7204 for respondents to report this information.

Form: 7204.

Affected Public: U.S. persons who pay or accrue foreign income taxes.

Estimated Number of Respondents: 11,400.

Frequency of Response: Annually, On Occasion.

Estimated Total Number of Annual Responses: 11,400.

Estimated Time per Response: 2 hours.

Estimated Total Annual Burden Hours: 22,800.

.Authority: 44 U.S.C. 3501 et seq.

Spencer W. Clark,

Treasury PRA Clearance Officer.

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